

Message Text

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PAGE 01 TEHRAN 11848 290816Z

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 L-03 H-02 NSC-05

SS-15 STR-04 CEA-01 PA-01 PRS-01 SAJ-01 INT-05 /103 W

----- 031864

R 290740Z NOV 76

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 0195

INFO AMEMBASSY MOSCOW

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E.O.11652: N/A

TAGS: ETRD, EMIN, UR, IR

SUBJ: USSR-IRAN ECONOMIC RELATIONS: REPORTED
COLLABORATION IN ALUMINA PRODUCTION

1. BEGIN UNCLASSIFIED - ENGLISH LANGUAGE KAYHAN INTERNATIONAL FOR NOVEMBER 27 REPORTED THE SIGNING ON NOVEMBER 26 OF AN "AGREEMENT" BETWEEN THE IRANIAN FIRM BARITE IRAN AND THE SOVIET COMPANY TSVETMETPROMEXPORT, CALLING FOR THE "INSTALLATION" OF A PLANT TO PRODUCE ANNUALLY 500,000 TONS OF ALUMINA. THE PLANT'S CAPACITY WOULD EVENTUALLY BE RAISED TO ONE MILLION TONS PER ANNUM AND WOULD INVOLVE A CAPITAL INVESTMENT OF U.S. DOLLARS 600 MILLION. ACCORDING TO THE PRESS ITEM, IRAN'S DEPOSITS OF ALUNITE (HYDROUS POTASSIUM ALUMINUM SULFATE) WOULD BE UTILIZED IN THE PRODUCTION OF THE ALUMINA, WHICH, IN TURN, WOULD BE THE BASIC RAW MATERIAL FOR THE IRANIAN ALUMINUM INDUSTRY. APPARENTLY, THE SOVIET CONTRIBUTION TO THE VENTURE WOULD BE " NEEDED STUDIES AND COOPERATION" FOR PROCESSING ALUNITE INTO ALUMINA.

2. THE CHAIRMAN OF THE BOARD OF IRAN BARITE, ASGHAR PAYRAVI, REPORTEDLY TOLD NEWSMEN THAT IRAN'S ALUNITE
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PAGE 02 TEHRAN 11848 290816Z

DEPOSITS ARE OF HIGH QUALITY WITH RESERVES ESTIMATED

AT OVER A BILLION TONS. IN ADDITION TO ALUMINA, THE PLANT WILL ALSO BE ABLE TO PRODUCE SULFURIC ACID AND POTASSIUM. THE AGREEMENT WAS "SIGNED" BY BOARD CHAIRMAN PAYRAVI AND COMMERCIAL COUNSELOR VADIM SHAMOUVSKY OF THE SOVIET EMBASSY IN TEHRAN. NO DETAILS WERE PROVIDED ON THE SPECIFIC NATURE OF THE SOVIET CONTRIBUTION.

3. UNDERSECRETARY FOR MINES IN THE MINISTRY OF INDUSTRY AND MINES, IN A CONVERSATION WITH EMBOFF, CHARACTERIZED THE KAYHAN REPORT AS A RATHER EXAGGERATED ACCOUNT OF WHAT IN FACT OCCURRED. THERE IS NO AGREEMENT FOR THE ESTABLISHMENT OF AN ALUMINA PLANT, ACCORDING TO THIS OFFICIAL. WHAT HAD BEEN AGREED UPON, HE SAID, WAS ONLY A USSR UNDERTAKING TO EVALUATE THE FEASIBILITY OF USING IRAN'S ALUNITE DEPOSITS IN ALUMINA PRODUCTION. THE USSR WILL RECEIVE A FEE FOR ITS FEASIBILITY STUDY, AMOUNT UNKNOWN. END UNCLASSIFIED.

4. BEGIN LIMITED OFFICIAL USE - A SENIOR OFFICIAL OF THE IRANIAN ALUMINUM COMPANY (IN WHICH REYNOLDS OF THE U.S. HAS A SMALL EQUITY PARTICIPATION) SAID THAT HE HAD ALWAYS UNDERSTOOD THAT IRAN'S ALUNITE DEPOSITS WERE NOT SUITABLE FOR ALUMINA PRODUCTION BUT CONCEDED THAT PERHAPS THE SOVIET "PROCESS" PRESUMABLY INVOLVED MIGHT OVERCOME THE DIFFICULTY. IRAN CURRENTLY IMPORTS ABOUT 100,000 TONS OF ALUMINA A YEAR, PRINCIPALLY FROM AUSTRALIA, BUT THE EXPANSION OF IRANIAN ALUMINUM COMPANY AND THE CONSTRUCTION IN BANDAR ABBAS OF THE 100-PERCENT GOI-OWNED PLANT ALUM-IRAN, PROJECTED FOR THE LATE 1970S, WOULD RAISE IRAN'S REQUIREMENT FOR ALUMINA TO ABOUT 500,000 TONS A YEAR. HE SAID THAT THE GOI-OWNED ENTITY INDUSTRIAL DEVELOPMENT AND RENOVATION ORGANIZATION (IDRO) HAD BEEN INVESTIGATING THE USE OF ALUNITE FOR ALUMINA PRODUCTION.

5. A RESPONSIBLE OFFICIAL AT IDRO, DR. KEYVAN NAJMABADI, EXPRESSED SOME SURPRISE TO EMBOFF WHEN HE WAS QUERIED ON THE PRESS REPORT. HE SAID THAT THE SOVIET PROCESS FOR UTILIZING ALUNITE IN ALUMINA PRODUCTION "IS NOT ECONOMIC" AND THAT HE WOULD MAKE INQUIRIES OF BARITE IRAN AS TO THE BACKGROUND OF THE REPORTED "AGREEMENT." IMPLICIT LIMITED OFFICIAL USE

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PAGE 03 TEHRAN 11848 290816Z

IN DR. NAJMABADI'S REMARKS WAS SOME APPREHENSION THAT IDRO'S PROJECTED ALUMINUM FACILITY WOULD BE FORCED TO UTILIZE A RELATIVELY HIGH COST RAW MATERIAL.

6. THE EMBASSY WILL REPORT WHATEVER FURTHER INFORMATION IT SUBSEQUENTLY DEVELOPS ON THIS SUBJECT.
HELMS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ALUMINUM, JOINT VENTURES, INDUSTRIAL PLANTS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 NOV 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976TEHRAN11848
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760441-0254
From: TEHRAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976116/aaaaaexg.tel
Line Count: 114
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 12 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 MAY 2004 by ShawDG>; APPROVED <03 SEP 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: USSR-IRAN ECONOMIC RELATIONS: REPORTED COLLABORATION IN ALUMINA PRODUCTION
TAGS: ETRD, EMIN, UR, IR, BARITE IRAN
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006